



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0395	Title:	New top marginal rate for taxable income
Primary Sponsor:	McAlpin, Dave	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$26,950,000	\$18,467,000	\$19,310,000	\$20,174,000
Net Impact-General Fund Balance:	<u>\$26,950,000</u>	<u>\$18,467,000</u>	<u>\$19,310,000</u>	<u>\$20,174,000</u>

Description of fiscal impact: This bill would create a new top income tax rate bracket with a rate of 7.9%. This would result in about \$18 million in additional income tax in the first year, with the additional revenue growing over time. In FY 2010, 1.5 years of additional revenue would be received because additional tax due to this bill in FY 2009 would not be paid until FY 2010.

FISCAL ANALYSIS

Assumptions:

1. This bill would change the income tax rate table by adding a new 7.9% rate on income over \$250,000 (adjusted for inflation since 2005). The change would be effective beginning with tax year 2009.
2. The income tax revenue estimating model was modified to reflect the provisions of this bill and run using the HJR 2 assumptions. The following table shows the changes in calendar year tax liability.

Tax Year	Changes in Calendar Year Tax Liability (\$ million)
2009	\$17.905
2010	\$18.090
2011	\$18.843
2012	\$19.776
2013	\$20.571

3. The taxpayers affected by this bill are likely to change their estimated payments and withholding to account for their additional tax liability. The change would apply for all of tax year 2009, but taxpayers would not be able to change withholding and estimated payments until the tax year was half over and all of FY 2009 was past. They would have to make larger payments in the second half of tax year 2009 or make larger payments or receive smaller refunds when they file their 2009 returns. All of these payments would be in FY 2010. Thus, in FY 2010, revenue would be increased by all of the increase in tax liability for 2009 and half of the increase for 2010. For FY 2011 and later years, the revenue impact in any fiscal year would be the average of the tax liability changes in the same numbered calendar year and the preceding calendar year. The following table shows increases in revenue for FY 2010 through FY 2013.

Fiscal Year	Changes in Fiscal Year Revenue (\$ million)
2010	\$26.950
2011	\$18.467
2012	\$19.310
2013	\$20.174

4. Changes to tax forms and instructions required by this bill would be made as part of the annual update process. There would be no additional cost unless the changes required an additional page in the income tax booklet.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Revenues:</u>				
General Fund (01)	\$26,950,000	\$18,467,000	\$19,310,000	\$20,174,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$26,950,000	\$18,467,000	\$19,310,000	\$20,174,000

Sponsor's Initials

Date

Budget Director's Initials

Date